Guinness Peat Group plc

The following unaudited consolidated results of Coats Group Limited ("the Group") for the year ended 31 December 2009 are released by Guinness Peat Group plc ("GPG") for information only.

Chris Healy
Company Secretary
Guinness Peat Group plc

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Contacts:		
Blake Nixon	(UK)	00 44 20 7484 3370
Gary Weiss	(Australia)	00 61 2 8298 4300
Tony Gibbs	(New Zealand)	00 64 9 379 8888

Coats Group Limited: unaudited results* for the year ended 31 December 2009

Financial Summary	**2009 Unaudited US$m**	2008 Unaudited US$m
Revenue	**1,408.3**	1,645.4
Operating profit before reorganisation, impairment and other exceptional items (see note 2)	**95.9**	102.8
Operating profit	**54.3**	58.8
Profit before taxation	**36.4**	38.3
Net loss attributable to equity shareholders	**(4.5)**	(8.3)
Net cash inflow from operations before reorganisation costs and other exceptional items (see note 6)	**198.1**	158.4
Net debt**	**258.5**	358.8
Total equity	**467.9**	422.6
Net gearing**	**55%**	85%

** see note 1*

*** the 2008 net debt and net gearing figures reported above have been adjusted to include amounts owed to GPG of $12.8 million*

- Pre-exceptional operating profit down on 2008 by only $6.9 million, despite sales being down by $237.1 million.
- Strong operating cash flow of $198.1 million.
- Average net working capital/sales ratio fell from 23% in 2008 to 20% in 2009.
- Significant reduction in net debt of $100.3 million and net gearing has fallen to 55%.
- Industrial thread sales shortfalls have significantly reduced; 6% down on last year for the second half compared to 27% down for the first half.
- Industrial thread pre-exceptional operating margin at 8%.
- Crafts business returned to profitability, with a $25.0 million pre-exceptional operating profit (2008 - $7.1 million loss) achieved.
- Europe Crafts pre-exceptional operating losses fell by $20.7 million.
- North America Crafts sales have shown resilience to the recession and profits for the Americas were significantly up on 2008.
- Headcount of 20,603 is down on 2008 by 1,478 or 7%.

Chairman's Statement

Overview

2009 has seen the worst global recession in decades but, in the face of the downturn in global demand plus destocking in the supply chain, Coats has shown much resilience. Coats' strong operational and financial position coming into the downturn has enabled it to withstand these recessionary pressures and to react quickly.

As shown in the tables below, notwithstanding that Coats' sales in these unprecedented economic conditions of $1,408.3 million were $237.1 million down on 2008 levels, a pre-exceptional operating profit of $95.9 million has been achieved, only $6.9 million down on 2008 ($102.8 million).

INDUSTRIAL	**2009 reported $m**	**Actual decrease full year $m**	**Actual decrease 2009 first half %**	**Actual decrease 2009 second half %**	**Actual decrease full year %**
Sales					
Asia and Rest of World	459.4	-61.5	-19%	-4%	-12%
Europe	181.0	-67.9	-39%	-11%	-27%
Americas	248.0	-53.5	-29%	-5%	-18%
Total sales	**888.4**	**-182.9**	**-27%**	**-6%**	**-17%**
Pre-exceptional operating profit	**70.9**	**-39.0**	**-52%**	**-7%**	**-35%**

CRAFTS	**2009 reported $m**	**Actual increase / (decrease) full year $m**	**Actual increase / (decrease) 2009 first half %**	**Actual increase / (decrease) 2009 second half %**	**Actual increase / (decrease) full year %**
Sales					
Asia and Rest of World	64.2	-3.3	-14%	+3%	-5%
Europe	177.9	-44.7	-29%	-11%	-20%
Americas	277.8	-6.2	-9%	4%	-2%
Total sales	**519.9**	**-54.2**	**-17%**	**-1%**	**-9%**
Pre-exceptional operating profit	**25.0**	**32.1**	**+481%**	**+444%**	**+452%**

In addition, 2009 cash flow was strong and a significant reduction in net debt of $100.3 million was achieved.

Results

Coats Industrial sales are largely driven by demand for clothing and footwear, predominantly in North America, Western Europe and Japan. During 2009 destocking in the supply chain continued to impact the apparel and footwear sectors and, as shown in the Industrial table above, sales were 17% down on 2008 levels (13% down on a like-for-like basis). Asia is a key region for Coats and sales shortfalls there were restricted to 9% on a like-for-like basis. Plants have operated at below normal utilisation, due to both lower demand and actions implemented to reduce stock levels, and this put pressure on margins. However, prices were broadly maintained and benefits from cost initiatives have come through during the year. A pre-exceptional operating profit (before reorganisation, impairment and other exceptional items) of $70.9 million (2008 - $109.9 million) was generated by the Industrial business.

The Crafts business has returned to profitability, with a pre-exceptional operating profit of $25.0 million (2008 - $7.1 million loss) being achieved.

In Europe, where the consumer environment remains weak overall, Crafts sales were 20% down on 2008 levels and 10% down on a like-for-like basis. However, operating losses were reduced by $20.7 million from $41.6 million in 2008 to $20.9 million in 2009. This reduction in operating losses reflects the benefits from the major restructuring of this business, which focussed on lowering the cost base, enhancing productivity and delivering a harmonised pan-European product offer. Gross margins have improved and distribution and administration costs have reduced. The Europe Crafts headcount was reduced by 21% during the year, following the 15% reduction achieved in 2008.

Profits from the Crafts businesses in the Americas and Asia increased from $34.5 million in 2008 to $45.9 million, reflecting a strong performance from the North American Crafts business.

Further details on operating performance by region are included in the Operating Review.

The results for the Industrial and Crafts businesses as reported over the last six years (at actual exchange rates) provide the context for the current year's performance.

	2009	2008	2007	2006	2005	2004
External sales $m						
Industrial thread & zips	888.4	1,071.3	1,087.6	1,030.1	996.2	987.7
Crafts	519.9	574.1	593.6	585.0	640.5	590.4
Total	**1,408.3**	**1,645.4**	**1,681.2**	**1,615.1**	**1,636.7**	**1,578.1**
Sales growth						
Industrial thread & zips	-17%	-1%	+6%	+3%	+1%	+1%
Crafts	-9%	-3%	+1%	-9%	+8%	+13%
Total	**-14%**	**-2%**	**+4%**	**-1%**	**+4%**	**+5%**
Pre-exceptional operating profit/(loss) $m						
Industrial thread & zips	70.9	109.9	132.6	103.6	68.5	49.3
Crafts	25.0	(7.1)	25.5	18.8	58.0	41.2
Total	**95.9**	**102.8**	**158.1**	**122.4**	**126.5**	**90.5**
Pre-exceptional operating margin						
Industrial thread & zips	8%	10%	12%	10%	7%	5%
Crafts	5%	-1%	4%	3%	9%	7%
Total	**7%**	**6%**	**9%**	**8%**	**8%**	**6%**

Net debt

Net debt reduced significantly during the year by $100.3 million from $358.8 million (including amounts owed to GPG of $12.8 million) at 31 December 2008 to $258.5 million at 31 December 2009. This is after investment in new plant and systems and reorganisation projects during the year of $73.2 million. Average net debt for the year reduced from $425.5 million in 2008 to $367.2 million in 2009.

Investment and reorganisation spend

Investment was made in the year to support the business through the global downturn and to enhance its operational performance. Investment continued to be made in upgrading IT systems, including the installation of SAP in all Coats units throughout the world, which is generating supply chain and purchasing benefits. Capital invested in new plant and systems in 2009 amounted to $26.7 million (2008 - $53.6 million) and was focussed on productivity improvements and SAP installations in Asia.

Reorganisation spend was $46.5 million (2008 - $50.7 million), predominantly in respect of the major restructuring of the European Crafts business: the formerly country-based organisation, each with its own product range, is being transformed into a more cost effective pan-European business with a single, harmonised product offer, improved supply chains, and reduced distribution and administration costs. Product ranges have been rationalised, manufacturing and distribution centres have been closed and headcount reduction projects have been implemented. This restructuring is substantially complete. Total numbers employed in the Group fell by 1,478 or 7% to 20,603 (2008 – 22,081) at the end of the year, including a 15% reduction in employees in high cost countries.

Reorganisation cash outflows were partly offset by $14.5 million (2008 - $14.4 million) proceeds from the sale of properties, including those which had become surplus as a result of the Group's reorganisation programme.

European Commission investigation

As noted in last year's report, in September 2007 the European Commission concluded its investigation into European fasteners – the last part outstanding of its general investigation into thread and haberdashery markets which began in 2001. It imposed fines against several producers, including a fine against the Coats plc Group of €110.3 million. This fine is in respect of the Commission's allegation of a market sharing agreement in the European haberdashery market. Coats totally rejects this allegation. Coats is vigorously contesting the Commission's decision in an appeal which has been lodged with the European General Court (formerly known as the Court of First Instance) in Luxembourg.

As stated in previous reports, Coats remains of the view that any anticipated eventual payment of this fine is adequately covered by existing provisions.

Management changes

Mike Smithyman, Group Chief Executive of Coats plc since October 2003, retired at the end of December 2009. The Board would like to thank Mike for his invaluable contribution in successfully leading Coats through a period of major restructuring and creating a truly global business that is performing strongly in these challenging times.

Mike has been replaced as Group Chief Executive by Paul Forman. Paul joins the Group from Low & Bonar PLC, a global manufacturer, quoted on the London Stock Exchange. Low & Bonar supplies polymer-based high performance materials to a broad range of industrial end-user markets. During his seven years as Group Chief Executive at Low & Bonar, Paul played a major role in revitalising and reorientating the group and transforming it into a leading player in the diverse and fast growing performance materials market. The Board is delighted to welcome Paul to Coats.

Prospects

Market conditions remain difficult, but there are some signs pointing to the start of a slow recovery. Prices of many commodities and materials used by Coats are increasing and consumer demand in some of Coats' markets is improving.

In respect of the Industrial business, it is expected that the worst sales declines are behind us. As shown in the Industrial table above, sales shortfalls compared to 2008 reduced in the second half of 2009, with sales in the last quarter of 2009 being flat compared to 2008 on a like-for-like basis (and up in US dollar terms). Inventory levels in the apparel supply chain are at historically low levels and therefore some restocking is expected during the first half of 2010.

The Crafts business overall has also seen reduced sales shortfalls in the second half and, as for the Industrial business, sales in the last quarter of 2009 were flat compared to 2008 on a like-for-like basis (and up in US dollar terms). The market overall is expected to be relatively stable in 2010. Profitability improvement in 2010 is expected, which is primarily dependent on Europe Crafts. Benefits are expected to continue to flow through from the restructuring initiatives taken, including reducing the cost base, and the business is well positioned to take advantage of any improvements in market conditions.

It is anticipated that major restructuring activity in future will be at a level significantly reduced from the last six years. Moving forward, the Board's intention is that under normal trading conditions capital and restructuring spend in aggregate will be no more than depreciation.

Gary Weiss

Chairman

26 February 2010

Operating Review

Industrial Trading Performance

INDUSTRIAL	2009 reported $m	*2008 like-for-like $m	2008 reported $m	Like-for-like decrease full year %	Like-for-like decrease reported at the 2009 half year %	Actual decrease full year %
Sales						
Asia and Rest of World	459.4	505.7	520.9	-9%	-14%	-12%
Europe	181.0	231.9	248.9	-22%	-29%	-27%
Americas	248.0	282.1	301.5	-12%	-22%	-18%
Total sales	**888.4**	**1,019.7**	**1,071.3**	**-13%**	**-20%**	**-17%**
Pre-exceptional operating profit**	**70.9**	**104.7**	**109.9**	**-32%**	**-47%**	**-35%**

**2008 like-for-like restates 2008 figures at 2009 exchange rates*

***Pre reorganisation, impairment, and other exceptional items (see note 2)*

In the following commentary, all comparisons with 2008 are on a like-for-like basis

The Asian Industrial performance reflects the downturn in the Asian apparel and footwear export sectors, due to the weak retail demand in the key destination markets of North America, Western Europe and Japan. However, encouragingly, there was sales growth in certain territories, including India, one of Coats' key businesses. Coats' long-established relationships with global suppliers and brand owners continue to support the business.

The European Industrial market has been severely impacted by the global downturn, with the customer base shrinking as businesses close. Poor retail sales and heavy destocking throughout the supply chain have also adversely impacted key markets in both Western and Eastern Europe. There has been some reduction in the rate of decline in the second half.

Sales in both North America and, to a slightly lesser extent, South America were adversely impacted by the economic downturn. Sales overall were affected by weak retail demand, compounded by increased penetration of apparel and footwear imports from Asia. In North America, additional sales from new product lines have been generated, providing some small offset to the sales declines in the apparel and footwear sectors. In South America, sales in key non-apparel thread categories held firm.

Crafts Trading Performance

CRAFTS	**2009 reported $m**	***2008 like-for-like $m**	**2008 reported $m**	**Like-for-like increase / (decrease) full year %**	**Like-for-like increase / (decrease) reported at the 2009 half year %**	**Actual increase / (decrease) full year %**
Sales						
Asia and Rest of World	64.2	61.2	67.5	+5%	+2%	-5%
Europe	177.9	198.2	222.6	-10%	-13%	-20%
Americas	277.8	274.7	284.0	+1%	-	-2%
Total sales	**519.9**	**534.1**	**574.1**	**-3%**	**-5%**	**-9%**
Pre-exceptional operating profit/ (loss)**	**25.0**	**(3.5)**	**(7.1)**	**+814%**	**1,425%**	**+452%**

**2008 like-for-like restates 2008 figures at 2009 exchange rates and adjusts for business disposals*

***Pre reorganisation, impairment, and other exceptional items (see note 2)*

In the following commentary, all comparisons with 2008 are on a like-for-like basis

There has been further decline overall in the already weak European retail market for crafts products and sales were down 10% from last year on a like-for-like basis, following decreases of 14% and 16% reported in 2008 and 2007 respectively. However, notwithstanding the weak consumer environment, operating losses were significantly curtailed through the major restructuring of this business and the business is well positioned to take advantage of improvements in market conditions.

North American Crafts sales have shown resilience to the recession, as consumers look for cost-effective leisure pursuits. Sales finished ahead of 2008, led by strong handknittings sales. South America Crafts sales overall were impacted by recessionary pressures, but strong growth in handknittings continued. Overall this was an excellent performance by the region, and profits were significantly up on 2008 levels.

Investment income and finance costs

Finance costs, net of investment income, were $18.4 million (2008 - $22.0 million). Interest payable reduced substantially from $38.2 million in 2008 to $28.1 million in 2009. This reflects lower average net debt (which reduced from $425.5 million in 2008 to $367.2 million in 2009) and a full year's benefit from the 2008 refinancing. Coats refinanced in June 2008 and currently has a main borrowing facility of $585.0 million. The net return on pension scheme assets and liabilities decreased by $5.2 million to $14.4 million.

Tax

The tax charge was $32.4 million (2008 - $37.8 million) on pre-tax profit of $36.4 million (2008 - $38.3 million), a tax rate of 89% (2008 – 99%). Excluding prior year tax adjustments and exceptional items plus their associated tax effect, the effective tax rate was 47% (2008 – 46%). This rate reflects a weighting of profits to high tax rate countries and unrelieved losses in certain territories, principally in Europe. It is expected that the Group's overall tax rate will significantly reduce as profitability in Europe improves. The Group has significant losses available to reduce future tax payments.

Discontinued operations

The $3.5 million (2008 - $4.5 million) loss from discontinued operations largely relates to UK vacant property provisioning.

Pension and other post-employment benefits

The Group operates a defined benefit plan in the UK and there is a similar arrangement in the USA. The UK scheme showed a recoverable surplus of $15.0 million (2008 - $10.2 million) and the USA scheme showed a recoverable surplus of $31.2 million (2008 – $32.6 million). These surpluses are predominantly included in non-current assets. Employer contribution holidays for these schemes currently continue to be taken based on actuarial advice.

There are various pension and leaving indemnity arrangements in other countries (primarily in Europe) where the Group operates. The vast majority of these schemes, in line with local market practice, are not funded but are fully provided in the Group accounts and are predominantly included in current and non-current liabilities.

Cash flow

EBITDA (defined as pre-exceptional operating profit before depreciation and amortisation) was $156.3 million (2008 - $169.9 million).

The net operating cash flow before reorganisation costs was strong at $198.1 million (2008 - $158.4 million). Operating cash flow included the benefit of a $48.2 million (2008 - $41.9 million) reduction in net working capital. Investment in IT systems in recent years has facilitated a $59.4 million (2008 - $17.1 million) reduction in inventory.

Reorganisation spend was $46.5 million (2008 - $50.7 million). Spend on capital projects at $26.7 million was lower than in the previous year (2008 - $53.6 million), representing 0.4 times (2008 – 0.8 times) depreciation and amortisation. Including the realisation of $14.5 million (2008 - $14.4 million) from the sale of surplus property, reorganisation and capital spend was comfortably met out of internally generated cash flow.

Interest and tax paid reduced to $52.3 million (2008 - $82.4 million).

Spend on the acquisition of subsidiaries of $2.0 million (2008 - $0.1 million) represents the acquisition of minority interests.

The above resulted in net debt reducing significantly during the year by $100.3 million to $258.5 million (2008 - $358.8 million).

Balance sheet

Equity shareholders' funds increased from $405.9 million to $452.3 million. The $4.5 million net attributable loss was more than offset by a $16.3 million share capital injection and gains of $34.6 million taken directly to reserves. These largely represent exchange gains of $32.6 million (2008 - $57.9 million losses), which arose on the translation of operations with functional currencies other than the US dollar, reflecting the depreciation of the US dollar during the year.

The combination of the fall in net debt and the increase in equity shareholders' funds led to net gearing reducing significantly to 55% (2008 – 85%).

Consolidated Income Statement (unaudited)

For the year ended 31 December 2009	Notes	**2009 Unaudited US$m**	2008 Unaudited US$m
Continuing operations			
Revenue		**1,408.3**	1,645.4
Cost of sales		**(943.8)**	(1,087.6)
Gross profit		**464.5**	557.8
Distribution costs		**(253.2)**	(310.7)
Administrative expenses		**(166.1)**	(190.2)
Other operating income		**9.1**	1.9
Operating profit	2	**54.3**	58.8
Share of profits of joint ventures		**0.5**	1.5
Investment income		**1.7**	2.2
Finance costs	3	**(20.1)**	(24.2)
Profit before taxation		**36.4**	38.3
Taxation	4	**(32.4)**	(37.8)
Profit from continuing operations		**4.0**	0.5
Discontinued operations			
Loss from discontinued operations		**(3.5)**	(4.5)
Profit/(loss) for the year		**0.5**	(4.0)
Attributable to:			
EQUITY SHAREHOLDERS OF THE COMPANY		**(4.5)**	(8.3)
Non-controlling interests		**5.0**	4.3
		0.5	(4.0)

Consolidated Statement of Comprehensive Income (unaudited)

For the year ended 31 December 2009	**2009 Unaudited US$m**	2008 Unaudited US$m
Profit/(loss) for the year	**0.5**	(4.0)
Cash flow hedges:		
Losses arising during the year	**(2.6)**	(14.0)
Transferred to profit or loss on cash flow hedges	**6.6**	1.4
Exchange differences on translation of foreign operations	**32.6**	(59.0)
Acquisition of part of a non-controlling interest	**1.9**	-
Actuarial losses in respect of retirement benefit schemes	**(3.6)**	(35.1)
Tax relating to components of other comprehensive income	**(0.3)**	2.0
Other comprehensive income and expense for the year	**34.6**	(104.7)
Total comprehensive income and expense for the year	**35.1**	(108.7)
Attributable to:		
EQUITY SHAREHOLDERS OF THE COMPANY	**30.1**	(111.9)
Non-controlling interests	**5.0**	3.2
	35.1	(108.7)

Consolidated Statement of Financial Position (unaudited)

At 31 December 2009	Notes	**2009 Unaudited US$m**	2008 Unaudited US$m
Non-current assets			
Intangible assets		**264.7**	266.7
Property, plant and equipment		**444.7**	460.9
Investments in joint ventures		**14.2**	15.9
Available-for-sale investments		**3.0**	2.9
Deferred tax assets		**14.6**	13.4
Pension surpluses		**42.9**	41.7
Trade and other receivables		**22.5**	23.7
		806.6	825.2
Current assets			
Inventories		**248.3**	296.6
Trade and other receivables		**284.8**	256.5
Available-for-sale investments		**0.2**	0.2
Cash and cash equivalents	7	**135.0**	86.6
		668.3	639.9
Non-current assets classified as held for sale		**1.1**	1.4
Total assets		**1,476.0**	1,466.5
Current liabilities			
Amounts owed to parent undertaking		**-**	(12.8)
Trade and other payables		**(331.2)**	(312.9)
Current income tax liabilities		**(9.9)**	(9.1)
Bank overdrafts and other borrowings		**(103.7)**	(109.7)
Provisions		**(99.4)**	(110.3)
		(544.2)	(554.8)
Net current assets		**124.1**	85.1
Non-current liabilities			
Trade and other payables		**(20.6)**	(26.8)
Deferred tax liabilities		**(28.8)**	(23.7)
Borrowings		**(289.8)**	(322.9)
Retirement benefit obligations:			
Funded schemes		**(3.0)**	(4.8)
Unfunded schemes		**(89.7)**	(92.3)
Provisions		**(32.0)**	(18.1)
		(463.9)	(488.6)
Liabilities directly associated with non-current assets classified as held for sale		**-**	(0.5)
Total liabilities		**(1,008.1)**	(1,043.9)
Net assets		**467.9**	422.6
Equity			
Share capital		**20.5**	4.2
Share premium account		**412.1**	412.1
Hedging and translation reserve		**10.5**	(26.1)
Retained earnings		**9.2**	15.7
EQUITY SHAREHOLDERS' FUNDS		**452.3**	405.9
Non-controlling interests	5	**15.6**	16.7
Total equity		**467.9**	422.6

Consolidated Statement of Changes in Equity (unaudited)

	Share Capital Unaudited US$m	Share premium account Unaudited US$m	Hedging Reserve Unaudited US$m	Translation Reserve Unaudited US$m	Retained Earnings Unaudited US$m	Total Unaudited US$m
Balance as at 1 January 2008	4.2	412.1	(0.2)	44.6	57.1	517.8
Loss for the year	-	-	-	-	(8.3)	(8.3)
Other comprehensive income and expense for the year	-	-	(12.6)	(57.9)	(33.1)	(103.6)
Total comprehensive income and expense for the year	-	-	(12.6)	(57.9)	(41.4)	(111.9)
Balance as at 31 December 2008	4.2	412.1	(12.8)	(13.3)	15.7	405.9
Loss for the year	-	-	-	-	(4.5)	(4.5)
Other comprehensive income and expense for the year	-	-	4.0	32.6	(2.0)	34.6
Total comprehensive income and expense for the year	-	-	4.0	32.6	(6.5)	30.1
Issue of share capital	16.3	-	-	-	-	16.3
Balance as at 31 December 2009	**20.5**	**412.1**	**(8.8)**	**19.3**	**9.2**	**452.3**

Statement of Consolidated Cash Flows (unaudited)

For the year ended 31 December 2009	Notes	**2009 Unaudited US$m**	2008 Unaudited US$m
Cash inflow/(outflow) from operating activities			
Net cash inflow generated by operations	6	**151.6**	107.7
Interest paid		**(25.4)**	(43.2)
Taxation paid		**(26.9)**	(39.2)
Net cash generated from operating activities		**99.3**	25.3
Cash inflow/(outflow) from investing activities			
Dividends received from associates and joint ventures		**3.2**	0.7
Acquisition of property, plant and equipment and intangible assets		**(26.7)**	(53.6)
Disposal of property, plant and equipment and intangible assets		**14.5**	14.4
Acquisition of financial investments		**-**	(0.2)
Disposal of financial investments		**0.1**	0.1
Acquisition of subsidiaries		**(2.0)**	(0.1)
Disposal of subsidiaries		**0.1**	(0.4)
Net cash absorbed in investing activities		**(10.8)**	(39.1)
Cash inflow/(outflow) from financing activities			
Dividends paid to non-controlling interests		**(2.1)**	(4.9)
Amounts paid to parent undertaking		**-**	(38.6)
(Decrease)/increase in debt and lease financing		**(46.0)**	68.8
Net cash (absorbed)/generated in financing activities		**(48.1)**	25.3
Net increase in cash and cash equivalents		**40.4**	11.5
Net cash and cash equivalents at beginning of the year		**65.4**	68.2
Foreign exchange gains/(losses) on cash and cash equivalents		**6.9**	(14.3)
Net cash and cash equivalents at end of the year	7	**112.7**	65.4
Reconciliation of net cash flow to movement in net debt			
Net increase in cash and cash equivalents		**40.4**	11.5
Cash outflow/(inflow) from change in debt and lease financing		**46.0**	(68.8)
Change in net debt resulting from cash flows		**86.4**	(57.3)
Other		**(2.9)**	(3.8)
Foreign exchange		**4.0**	(4.0)
Decrease/(increase) in net debt		**87.5**	(65.1)
Net debt at start of year		**(346.0)**	(280.9)
Net debt at end of year	7	**(258.5)**	(346.0)

Notes

1 Basis of preparation

Coats Group Limited is incorporated in the British Virgin Islands. It does not prepare consolidated statutory accounts and therefore the financial information contained in this announcement does not constitute full financial statements and has not been, and will not be, audited.

The financial information for the year ended 31 December 2009 has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") adopted by the European Union. IAS 1 (2007) "Presentation of Financial Statements" and IFRIC 14 "IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" have been adopted by the Group during the year. The same accounting policies have been applied to the financial information presented for the year ended 31 December 2008.

Coats Group Limited follows the accounting policies of its ultimate parent company, Guinness Peat Group plc.

The principal exchange rates (to the US dollar) used are as follows:

		2009	2008
Average	Sterling	**0.64**	0.54
	Euro	**0.72**	0.68
Year end	Sterling	**0.62**	0.68
	Euro	**0.70**	0.72

2 Operating profit is stated after charging/(crediting):

	2009 Unaudited US$m	2008 Unaudited US$m
Exceptional items:		
Reorganisation costs and impairment of property, plant and equipment	**49.0**	49.0
Profit on the sale of property	**(7.5)**	(3.3)
(Profit)/loss on disposal of businesses	**(0.4)**	2.5
Foreign exchange losses/(gains)	**0.5**	(4.2)
Total	**41.6**	44.0

3 Finance costs

	2009 Unaudited US$m	2008 Unaudited US$m
Interest on bank and other borrowings	**28.1**	38.2
Net return on pension scheme assets and liabilities	**(14.4)**	(19.6)
Other	**6.4**	5.6
Total	**20.1**	24.2

4 Taxation

		2009 Unaudited US$m		2008 Unaudited US$m
UK taxation based on profit for the year:				
Corporation tax at 28% (2008: 28.5%)		**8.8**		5.6
Double taxation relief		**(8.8)**		(5.6)
Total UK taxation		**-**		-
Overseas taxation:				
Current taxation		**28.5**		32.8
Deferred taxation		**7.2**		1.2
		35.7		34.0
Prior year adjustments:				
Current taxation	**0.3**		(2.3)	
Deferred taxation	**(3.6)**		6.1	
		(3.3)		3.8
		32.4		37.8

5 Non-controlling interests

	2009 Unaudited US$m	2008 Unaudited US$m
At 1 January	**16.7**	18.4
Total recognised income and expense for the year	**5.0**	3.2
Dividends paid	**(2.1)**	(4.9)
Other	**(4.0)**	-
At 31 December	**15.6**	16.7

6 Reconciliation of operating profit to net cash inflow generated by operations

	2009 Unaudited US$m	2008 Unaudited US$m
Operating profit	**54.3**	58.8
Depreciation	**52.2**	58.1
Amortisation of intangible assets (computer software)	**8.2**	9.0
Reorganisation costs (see note 2)	**49.0**	49.0
Other exceptional items (see note 2)	**(7.4)**	(5.0)
Decrease in inventories	**59.4**	17.1
(Increase)/decrease in debtors	**(19.6)**	61.2
Increase/(decrease) in creditors	**8.4**	(36.4)
Provision movements	**(8.7)**	(55.9)
Other non-cash movements	**2.3**	2.5
Net cash inflow from normal operating activities	**198.1**	158.4
Net cash outflow in respect of reorganisation costs	**(46.5)**	(50.7)
Net cash inflow generated by operations	**151.6**	107.7

7 Net debt

	2009 Unaudited US$m	2008 Unaudited US$m
Cash and cash equivalents	**135.0**	86.6
Bank overdrafts	**(22.3)**	(21.2)
Net cash and cash equivalents	**112.7**	65.4
Other borrowings	**(371.2)**	(411.4)
Total net debt	**(258.5)**	(346.0)

8 Statement of financial position consolidated by Guinness Peat Group plc (unaudited)

The statement of financial position consolidated by Guinness Peat Group plc (GPG) as at 31 December 2009 differs from that disclosed as follows:

	Coats Group Limited Unaudited US$m	Coats Group Limited US$:GBP at 0.6192 Unaudited £m	GPG fair value adjustments Unaudited £m	Included in GPG consolidated statement of financial position Unaudited £m
Intangible assets	264.7	164	14	178
Other non-current assets	541.9	336	-	336
Current assets	668.3	414	-	414
Non-current assets classified as held for sale	1.1	1	-	1
Total assets	1,476.0	915	14	929
Current liabilities	(544.2)	(337)	-	(337)
Non-current liabilities	(463.9)	(287)	-	(287)
Non-controlling interests	(15.6)	(10)	-	(10)
Equity shareholders' funds	452.3	281	14	295